

Message Text

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PAGE 01 MANILA 11288 041027Z

17-12

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-15 H-03 L-03 PRS-01

PA-03 USIA-15 CEA-02 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-15 STR-08 OMB-01 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

EUR-25 DRC-01 /199 W

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FM AMEMBASSY MANILA

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USADB

E.O. 11652: DECON 10-4-74

TAGS: EAID, EFIN

SUBJECT: BONN ADB SPECIAL FUNDS MEETING

TREASURY FOR FINKEL

1. AT REQUEST OF PRESIDENT INOUE, U.S. DIRECTOR DISCUSSED U.S. SPECIAL FUNDS REQUEST AT RECENT BOARD MEETING INDICATING THAT, IN U.S. DIRECTOR'S OPINION, BEST POSSIBLE RESULT, GIVEN CONGRESSIONAL SENTIMENT, WAS REPETITION OF 1972 HOUSE/SENATE ACTION, WHICH COULD LEAD TO MAXIMUM CONTRIBUTION OF \$50 MILLION RESULTING FROM CONFERENCE COMMITTEE COMPROMISE. POINTED OUT THAT APPROPRIATIONS SUBCOMMITTEES MAY FAIL TO TAKE ACTION BY OCT 12; HENCE USDEL MAY BE UNABLE TO INDICATE POSSIBLE OUTCOME OF REQUEST AT BONN MEETING.

2. IN RESPONSE TO VICE PRESIDENT'S INQUIRY, U.S. DIRECTOR INDICATED THAT ACTION ON ORDINARY CAPITAL

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PAGE 02 MANILA 11288 041027Z

INCREASE REQUEST WOULD PROBABLY NOT BE COMPLETED BY THE

NEW DEADLINE FOR SUBSCRIPTIONS, DEC 31, 1973, EMPHASIZING THAT ALL ATTENTION AND EFFORT BEING FOCUSED ON SPECIAL FUNDS.

3. GIVEN HIGH PROBABILITY THAT U.S. CANNOT CONTRIBUTE FULL \$100 MILLION THIS YEAR, BANK MANAGEMENT AND OTHER DONOR MEMBER COUNTRIES GREATLY CONCERNED WITH MEANS BY WHICH MOBILIZATION EFFORT FOR ASIAN DEVELOPMENT FUND (ADF) CAN BE SALVAGED. DEPUTY GENERAL COUNSEL RECENTLY RETURNED FROM EUROPE WHERE HE MET WITH SIR JOHN CHADWICK AND MEMBERS OF NUMEROUS DONORS COUNTRIES IN ATTEMPT TO DEVELOP CONTINGENCY PLANS. GERMANS APPARENTLY FLOATED PROPOSAL OF (1) ADVANCE PAYMENTS BY CONTRIBUTOR COUNTRIES IN 1974 AGAINST FIRST TRANCHE ALLOTMENTS ALONG WITH (2) POST-PONEMENT OF FUND ACTIVIZATION DATE FROM JUNE 30, 1974 TO LATE FALL 1974. BY SO DOING, FUND WOULD NOT BE ACTIVATED UNTIL U.S. CONTRIBUTES FULL \$100 MILLION, ASSUMPTION BEING THAT U.S. CAN CONTRIBUTE \$50 MILLION THIS YEAR AND WOULD, BY CLOSE OF 93RD CONGRESS IN FALL OF 1974 CONTRIBUTE FINAL \$50 MILLION OF TIED FUNDS. ADVANCE PAYMENTS BY DONORS (INCLUDING U.S. \$50 MILLION THIS YEAR) WOULD PROVIDE BANK, HOPEFULLY, WITH \$200 MILLION SPECIAL FUNDS TO COVER MOST OF 1974 SF LOAN ACTIVITY. PROGRAM OF \$200 MILLION IS LEVEL BANK CONSIDERS ABSOLUTE MINIMUM GIVEN PIPELINE PROJECTS. ONCE U.S. SECOND \$50 MILLION CONTRIBUTION MADE IN LATE 1974, OTHER DONORS WOULD CONTRIBUTE REMAINDER OF FIRST TRANCHE ALLOTMENTS SUCH THAT ADF ACTIVIZATION TRIGGER LEVEL (\$260 MILLION OF \$350 MILLION FIRST TRANCHE) WOULD BE REACHED.

4. IN EUROPEAN VIEW ABOVE SCHEME KEEPS PRESSURE ON U.S. FOR FULL CONTRIBUTION AND PARTICIPATION SINCE ADF CANNOT BE ACTIVATED UNTIL U.S. \$100 MILLION CONTRIBUTED. CONSIDERABLE DOUBT WHETHER \$150 MILLION NON-U.S. ADVANCE PAYMENTS CAN BE GENERATED BY U.S. CONTRIBUTION OF ONLY \$50 MILLION.

5. ALTERNATIVE TO THIS PROPOSAL IS LOWERING OF TRIGGER LEVEL SUCH THAT ADF WOULD BE ACTIVATED AT, SAY, 60 PERCENT CONTRIBUTION LEVEL (\$210 MILLION OF FIRST TRANCHE). HOWEVER, FEELING THAT EUROPEANS WOULD STRONGLY OPPOSE LOWERING LIMITED OFFICIAL USE

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PAGE 03 MANILA 11288 041027Z

OF LEVEL ON BASIS THAT THIS ALLOWS ACTIVIZATION OF ADF WITHOUT ADEQUATE U.S. PARTICIPATION AS WELL AS LACK OF ASSURANCE THAT U.S. WOULD FULLY PARTICIPATE OVER TIME.

6. VICE PRESIDENT FEELS GERMAN PROPOSAL MOST FEASIBLE SOLUTION GIVEN EUROPEAN ATTITUDES. FOR SCHEME TO BE ACCEPTED, HE STRESSES IT CRUCIAL FOR USDEL AT BONN TO (1) STATE UNEQUIVOCALLY THAT U.S. WILL EXERT

EVERY EFFORT TO OBTAIN SECOND \$50 MILLION OF TIED FUNDS AND FINAL \$50 MILLION OF UNTIED FUNDS, HOPING AT MINIMUM FOR SECOND \$50 MILLION CONTRIBUTION BY LATE FULL 1974 AND (2) INSIST UPON RETENTION OF TWO-YEAR FUNDING PROCEDURE FOR ADF. LATTER POINT IS ESPECIALLY CRITICAL FROM BANK'S POINT OF VIEW IF BANK TO OBTAIN ADEQUATE RESOURCES FOR 1974 SPECIAL FUNDS PROGRAM.

7. IF FUNDING EXERCISE STRETCHED TO THREE YEARS (1974, 1975, 1976), BANK COULD ANTICIPATE \$158 MILLION PER YEAR AS MAXIMUM FOR 1974, 1975, AND 1976, SINCE (A) FRANCE, AUSTRIA, AND SWEDEN HAVE STATED THEY WILL NOT PARTICIPATE IN ADF MOBILIZATION; HENCE \$39 MILLION ALLOTTED TO THOSE COUNTRIES IN REACHING \$525 MILLION TOTAL FIGURE NOT AVAILABLE AND (B) \$13 MILLION SPECIAL FUNDS CONTRIBUTIONS MADE THIS YEAR BY SWITZERLAND, ITALY, NORWAY AND FINLAND ALL TO BE CREDITED AGAINST THEIR ADF ALLOTMENTS AND WILL BE UTILIZED IN 1973; HENCE NOT AVAILABLE FOR SUBSEQUENT USE. THIS THREE-YEAR FUNDING ALTERNATIVE, WHICH MAY BE LOGICALLY APPEALING TO U.S., ASSUMING U.S. COMES IN WITH \$50 MILLION THIS YEAR, WOULD NOT PROVIDE SUFFICIENT SPECIAL FUNDS FOR BANK'S PLANNED LENDING NEEDS.

8. APPEARS THAT GERMAN SCHEME BEST ALTERNATIVE, ESPECIALLY IN VIEW BANK FUNDING NEEDS FOR 1974 AND SUBSEQUENT YEAR PROGRAMS. YET CONSIDERABLE DOUBT THAT OTHER DONORS PREPARED TO PUT UP ADVANCE PAYMENTS SUFFICIENT TO MEET BANK NEEDS IN COMING YEAR UNLESS U.S. DOES ALSO. FOR SCHEME TO BE SUCCESSFUL, U.S. MUST BE WILLING TO ACTIVELY PROMOTE IT BOTH FORMALLY AT MEETINGS PROPER AND INFORMALLY IN OTHER CONTEXTS.

9. WISH TO REITERATE THAT ABOVE COMMENTS AND POSSIBLE LIMITED OFFICIAL USE

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PAGE 04 MANILA 11288 041027Z

SCHEMES ALL ASSUME SOME PORTION OF U.S. \$100 MILLION CONTRIBUTION THIS YEAR. \$50 MILLION FIGURE GENERAL AMOUNT USED FOR PLANNING PURPOSES ALTHOUGH THAT AMOUNT UNDERSTOOD BY BANK MANAGEMENT AND CERTAINLY BY OTHER DONORS TO BE MAXIMUM AMOUNT OBTAINABLE FROM CONGRESS IF ANY SPECIAL FUNDS OBTAINED AT ALL.
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